

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4987

To amend title XVIII of the Social Security Act to improve payments for home health services and for direct graduate medical education, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2002

Mr. TAUZIN introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend title XVIII of the Social Security Act to improve payments for home health services and for direct graduate medical education, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1                   **TITLE VI—PROVISIONS**  
2                   **RELATING TO PARTS A AND B**  
3                   **Subtitle A—Home Health Services**

4   **SEC. 601. ELIMINATION OF 15 PERCENT REDUCTION IN**  
5                   **PAYMENT RATES UNDER THE PROSPECTIVE**  
6                   **PAYMENT SYSTEM.**

7           (a) IN GENERAL.—Section 1895(b)(3)(A) (42 U.S.C.  
8 1395fff(b)(3)(A)) is amended to read as follows:

9                   “(A) INITIAL BASIS.—Under such system  
10                   the Secretary shall provide for computation of  
11                   a standard prospective payment amount (or  
12                   amounts) as follows:

13                           “(i) Such amount (or amounts) shall  
14                           initially be based on the most current au-  
15                           dited cost report data available to the Sec-  
16                           retary and shall be computed in a manner  
17                           so that the total amounts payable under  
18                           the system for fiscal year 2001 shall be  
19                           equal to the total amount that would have  
20                           been made if the system had not been in  
21                           effect and if section 1861(v)(1)(L)(ix) had  
22                           not been enacted.

23                           “(ii) For fiscal year 2002 and for the  
24                           first quarter of fiscal year 2003, such  
25                           amount (or amounts) shall be equal to the

1 amount (or amounts) determined under  
2 this paragraph for the previous fiscal year,  
3 updated under subparagraph (B).

4 “(iii) For 2003, such amount (or  
5 amounts) shall be equal to the amount (or  
6 amounts) determined under this paragraph  
7 for fiscal year 2002, updated under sub-  
8 paragraph (B) for 2003.

9 “(iv) For 2004 and each subsequent  
10 year, such amount (or amounts) shall be  
11 equal to the amount (or amounts) deter-  
12 mined under this paragraph for the pre-  
13 vious year, updated under subparagraph  
14 (B).

15 Each such amount shall be standardized in a  
16 manner that eliminates the effect of variations  
17 in relative case mix and area wage adjustments  
18 among different home health agencies in a  
19 budget neutral manner consistent with the case  
20 mix and wage level adjustments provided under  
21 paragraph (4)(A). Under the system, the Sec-  
22 retary may recognize regional differences or dif-  
23 ferences based upon whether or not the services  
24 or agency are in an urbanized area.”

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 subsection (a) shall take effect as if included in the  
 3 amendments made by section 501 of the Medicare, Med-  
 4 icaid, and SCHIP Benefits Improvement and Protection  
 5 Act of 2000 (as enacted into law by section 1(a)(6) of  
 6 Public Law 106–554).

7 **SEC. 602. UPDATE IN HOME HEALTH SERVICES.**

8 (a) CHANGE TO CALENDAR YEAR UPDATE.—

9 (1) IN GENERAL.—Section 1895(b) (42 U.S.C.  
 10 1395fff(b)(3)) is amended—

11 (A) in paragraph (3)(B)(i)—

12 (i) by striking “each fiscal year (be-  
 13 ginning with fiscal year 2002)” and insert-  
 14 ing “fiscal year 2002 and for each subse-  
 15 quent year (beginning with 2003)”; and

16 (ii) by inserting “or year” after “the  
 17 fiscal year”;

18 (B) in paragraph (3)(B)(ii)—

19 (i) in subclause (II), by striking “fis-  
 20 cal year” and inserting “year” and by re-  
 21 designating such subclause as subclause  
 22 (III); and

23 (ii) in subclause (I), by striking “each  
 24 of fiscal years 2002 and 2003” and insert-  
 25 ing the following: “fiscal year 2002, the

1 home health market basket percentage in-  
2 crease (as defined in clause (iii)) minus 1.1  
3 percentage points;

4 “(II) 2003”;

5 (C) in paragraph (3)(B)(iii), by inserting  
6 “or year” after “fiscal year” each place it ap-  
7 pears;

8 (D) in paragraph (3)(B)(iv)—

9 (i) by inserting “or year” after “fiscal  
10 year” each place it appears; and

11 (ii) by inserting “or years” after “fis-  
12 cal years”; and

13 (E) in paragraph (5), by inserting “or  
14 year” after “fiscal year”.

15 (2) TRANSITION RULE.—The standard prospec-  
16 tive payment amount (or amounts) under section  
17 1895(b)(3) of the Social Security Act for the cal-  
18 endar quarter beginning on October 1, 2002, shall  
19 be such amount (or amounts) for the previous cal-  
20 endar quarter.

21 (b) CHANGES IN UPDATES FOR 2003, 2004, AND  
22 2005.—Section 1895(b)(3)(B)(ii) (42 U.S.C.  
23 1395fff(b)(3)(B)(ii)), as amended by subsection (a)(1)(B),  
24 is amended—

1           (1) in subclause (II), by striking “the home  
2 health market basket percentage increase (as defined  
3 in clause (iii)) minus 1.1 percentage points” and in-  
4 serting “2.0 percentage points”;

5           (2) by striking “or” at the end of subclause  
6 (II);

7           (3) by redesignating subclause (III) as sub-  
8 clause (V); and

9           (4) by inserting after subclause (II) the fol-  
10 lowing new subclause:

11                           “(III) 2004, 1.1 percentage  
12 points;

13                           “(IV) 2005, 2.7 percentage  
14 points; or”.

15 (c) PAYMENT ADJUSTMENT.—

16           (1) IN GENERAL.—Section 1895(b)(5) (42  
17 U.S.C. 1395fff(b)(5)) is amended “5 percent” and  
18 inserting “3 percent”.

19           (2) EFFECTIVE DATE.—The amendment made  
20 by paragraph (1) shall apply to years beginning with  
21 2003.

1 **SEC. 603. OASIS TASK FORCE; SUSPENSION OF CERTAIN**  
2 **OASIS DATA COLLECTION REQUIREMENTS**  
3 **PENDING TASK FORCE SUBMITTAL OF RE-**  
4 **PORT.**

5 (a) ESTABLISHMENT.—The Secretary of Health and  
6 Human Services shall establish and appoint a task force  
7 (to be known as the “OASIS Task Force”) to examine  
8 the data collection and reporting requirements under  
9 OASIS. For purposes of this section, the term “OASIS”  
10 means the Outcome and Assessment Information Set re-  
11 quired by reason of section 4602(e) of Balanced Budget  
12 Act of 1997 (42 U.S.C. 1395fff note).

13 (b) COMPOSITION.—The OASIS Task Force shall be  
14 composed of the following:

15 (1) Staff of the Centers for Medicare & Med-  
16 icaid Services with expertise in post-acute care.

17 (2) Representatives of home health agencies.

18 (3) Health care professionals and research and  
19 health care quality experts outside the Federal Gov-  
20 ernment with expertise in post-acute care.

21 (4) Advocates for individuals requiring home  
22 health services.

23 (c) DUTIES.—

24 (1) REVIEW AND RECOMMENDATIONS.—The  
25 OASIS Task Force shall review and make rec-  
26 ommendations to the Secretary regarding changes in

1 OASIS to improve and simplify data collection for  
2 purposes of—

3 (A) assessing the quality of home health  
4 services; and

5 (B) providing consistency in classification  
6 of patients into home health resource groups  
7 (HHRGs) for payment under section 1895 of  
8 the Social Security Act (42 U.S.C. 1395fff).

9 (2) SPECIFIC ITEMS.—In conducting the review  
10 under paragraph (1), the OASIS Task Force shall  
11 specifically examine—

12 (A) the 41 outcome measures currently in  
13 use;

14 (B) the timing and frequency of data col-  
15 lection; and

16 (C) the collection of information on  
17 comorbidities and clinical indicators.

18 (3) REPORT.—The OASIS Task Force shall  
19 submit a report to the Secretary containing its find-  
20 ings and recommendations for changes in OASIS by  
21 not later than 18 months after the date of the enact-  
22 ment of this Act.

23 (d) SUNSET.—The OASIS Task Force shall termi-  
24 nate 60 days after the date on which the report is sub-  
25 mitted under subsection (c)(2).

1 (e) NONAPPLICATION OF FACA.—The provisions of  
2 the Federal Advisory Committee Act shall not apply to  
3 the OASIS Task Force.

4 (f) SUSPENSION OF OASIS REQUIREMENT FOR COL-  
5 LECTION OF DATA ON NON-MEDICARE AND NON-MED-  
6 ICAID PATIENTS PENDING TASK FORCE REPORT.—

7 (1) IN GENERAL.—During the period described  
8 in paragraph (2), the Secretary of Health and  
9 Human Services may not require, under section  
10 4602(e) of the Balanced Budget Act of 1997 or oth-  
11 erwise under OASIS, a home health agency to gath-  
12 er or submit information that relates to an indi-  
13 vidual who is not eligible for benefits under either  
14 title XVIII or title XIX of the Social Security Act.

15 (2) PERIOD OF SUSPENSION.—The period de-  
16 scribed in this paragraph—

17 (A) begins on January 1, 2003, and

18 (B) ends on the last day of the 2nd month  
19 beginning after the date the report is submitted  
20 under subsection (c)(2).

21 **SEC. 604. MEDPAC STUDY ON MEDICARE MARGINS OF**  
22 **HOME HEALTH AGENCIES.**

23 (a) STUDY.—The Medicare Payment Advisory Com-  
24 mission shall conduct a study of payment margins of home  
25 health agencies under the home health prospective pay-

1 ment system under section 1895 of the Social Security Act  
2 (42 U.S.C. 1395fff). Such study shall examine whether  
3 systematic differences in payment margins are related to  
4 differences in case mix (as measured by home health re-  
5 source groups (HHRGs)) among such agencies. The study  
6 shall use the partial or full-year cost reports filed by home  
7 health agencies.

8 (b) REPORT.—Not later than 2 years after the date  
9 of the enactment of this Act, the Commission shall submit  
10 to Congress a report on the study under subsection (a).

11 **SEC. 605. REVIEW OF APPLICATION OF ABSENCE OF INFRE-**  
12 **QUENT OR SHORT DURATION IN ESTAB-**  
13 **LISHING HOME CONFINEMENT FOR PUR-**  
14 **POSES OF ELIGIBILITY FOR HOME HEALTH**  
15 **SERVICES.**

16 (a) REVIEW.—The Secretary shall review the stand-  
17 ards used, by fiscal intermediaries in paying for home  
18 health services under title XVIII of the Social Security  
19 Act, in allowing infrequent or short duration absences  
20 from the home (described in the penultimate sentence of  
21 section 1835(a) of the Social Security Act) for individuals  
22 eligible to receive home health services under such title.  
23 In conducting such review, the Secretary shall specifically  
24 examine how the infrequent or short duration absence pro-  
25 vision applies to individuals who have, under the home

1 health plan of care established by the individual’s treating  
 2 physician, permanent and severe disabilities that require  
 3 technological assistance or the assistance of another per-  
 4 son, or both, to leave such individual’s home, and where  
 5 such condition is expected to persist for at least a year,  
 6 and who continue to receive home health services covered  
 7 under such title.

8 (b) REPORT.—Not later than 6 months after the date  
 9 of the enactment of this Act, the Secretary shall report  
 10 to Congress on the review conducted under subsection (a)  
 11 and shall include in the report such findings and rec-  
 12 ommendations for changes in guidance or regulations re-  
 13 specting the treatment of infrequent or short duration ab-  
 14 sences as the Secretary determines to be appropriate.

## 15 **Subtitle B—Direct Graduate** 16 **Medical Education**

### 17 **SEC. 611. EXTENSION OF UPDATE LIMITATION ON HIGH** 18 **COST PROGRAMS.**

19 Section 1886(h)(2)(D)(iv) (42 U.S.C.  
 20 1395ww(h)(2)(D)(iv)) is amended—

21 (1) in subclause (I)—

22 (A) by striking “AND 2002” and inserting  
 23 “THROUGH 2012”;

24 (B) by striking “during fiscal year 2001 or  
 25 fiscal year 2002” and inserting “during the pe-

1           riod beginning with fiscal year 2001 and ending  
2           with fiscal year 2012”; and

3           (C) by striking “subject to subclause  
4           (III),”;

5           (2) by striking subclause (II); and

6           (3) in subclause (III)—

7           (A) by redesignating such subclause as  
8           subclause (II); and

9           (B) by striking “or (II)”.

10 **SEC. 612. REDISTRIBUTION OF UNUSED RESIDENT POSI-**  
11 **TIONS.**

12           (a) IN GENERAL.—Section 1886(h)(4) (42 U.S.C.  
13 1395ww(h)(4)) is amended—

14           (1) in subparagraph (F), by inserting “subject  
15           to subparagraph (I),” after “October 1, 1997,”;

16           (2) in subparagraph (H), by inserting “subject  
17           to subparagraph (I),” after “subparagraphs (F) and  
18           (G),”; and

19           (3) by adding at the end the following new sub-  
20           paragraph:

21                   “(I) REDISTRIBUTION OF UNUSED RESI-  
22                   DENT POSITIONS.—

23                           “(i) REDUCTION IN LIMIT BASED ON  
24                           UNUSED POSITIONS.—

1           “(I) IN GENERAL.—If a hos-  
2           pital’s resident level (as defined in  
3           clause (iii)(I)) is less than the other-  
4           wise applicable resident limit (as de-  
5           fined in clause (iii)(II)) for each of  
6           the reference periods (as defined in  
7           subclause (II)), effective for cost re-  
8           porting periods beginning on or after  
9           January 1, 2003, the otherwise appli-  
10          cable resident limit shall be reduced  
11          by 75 percent of the difference be-  
12          tween such limit and the reference  
13          resident level specified in subclause  
14          (III) (or subclause (IV) if applicable).

15           “(II) REFERENCE PERIODS DE-  
16          FINED.—In this clause, the term ‘ref-  
17          erence periods’ means, for a hospital,  
18          the 3 most recent consecutive cost re-  
19          porting periods of the hospital for  
20          which cost reports have been settled  
21          (or, if not, submitted) on or before  
22          September 30, 2001.

23           “(III) REFERENCE RESIDENT  
24          LEVEL.—Subject to subclause (IV),  
25          the reference resident level specified in

1 this subclause for a hospital is the  
2 highest resident level for the hospital  
3 during any of the reference periods.

4 “(IV) ADJUSTMENT PROCESS.—

5 Upon the timely request of a hospital,  
6 the Secretary may adjust the ref-  
7 erence resident level for a hospital to  
8 be the resident level for the hospital  
9 for the cost reporting period that in-  
10 cludes July 1, 2002.

11 “(ii) REDISTRIBUTION.—

12 “(I) IN GENERAL.—The Sec-  
13 retary is authorized to increase the  
14 otherwise applicable resident limits for  
15 hospitals by an aggregate number es-  
16 timated by the Secretary that does  
17 not exceed the aggregate reduction in  
18 such limits attributable to clause (i)  
19 (without taking into account any ad-  
20 justment under subclause (IV) of such  
21 clause).

22 “(II) EFFECTIVE DATE.—No in-

23 crease under subclause (I) shall be  
24 permitted or taken into account for a  
25 hospital for any portion of a cost re-

1           porting period that occurs before July  
2           1, 2003, or before the date of the hos-  
3           pital’s application for an increase  
4           under this clause. No such increase  
5           shall be permitted for a hospital un-  
6           less the hospital has applied to the  
7           Secretary for such increase by Decem-  
8           ber 31, 2004.

9                   “(III) CONSIDERATIONS IN RE-  
10                   DISTRIBUTION.—In determining for  
11                   which hospitals the increase in the  
12                   otherwise applicable resident limit is  
13                   provided under subclause (I), the Sec-  
14                   retary shall take into account the  
15                   need for such an increase by specialty  
16                   and location involved, consistent with  
17                   subclause (IV).

18                   “(IV) PRIORITY FOR RURAL AND  
19                   SMALL URBAN AREAS.—In deter-  
20                   mining for which hospitals and resi-  
21                   dency training programs an increase  
22                   in the otherwise applicable resident  
23                   limit is provided under subclause (I),  
24                   the Secretary shall first distribute the  
25                   increase to programs of hospitals lo-

1 cated in rural areas or in urban areas  
2 that are not large urban areas (as de-  
3 fined for purposes of subsection (d))  
4 on a first-come-first-served basis (as  
5 determined by the Secretary) based on  
6 a demonstration that the hospital will  
7 fill the positions made available under  
8 this clause and not to exceed an in-  
9 crease of 25 full-time equivalent posi-  
10 tions with respect to any hospital.

11 “(V) APPLICATION OF LOCALITY  
12 ADJUSTED NATIONAL AVERAGE PER  
13 RESIDENT AMOUNT.—With respect to  
14 additional residency positions in a  
15 hospital attributable to the increase  
16 provided under this clause, notwith-  
17 standing any other provision of this  
18 subsection, the approved FTE resi-  
19 dent amount is deemed to be equal to  
20 the locality adjusted national average  
21 per resident amount computed under  
22 subparagraph (E) for that hospital.

23 “(VI) CONSTRUCTION.—Nothing  
24 in this clause shall be construed as  
25 permitting the redistribution of reduc-

1 tions in residency positions attrib-  
2 utable to voluntary reduction pro-  
3 grams under paragraph (6) or as af-  
4 fecting the ability of a hospital to es-  
5 tablish new medical residency training  
6 programs under subparagraph (H).

7 “(iii) RESIDENT LEVEL AND LIMIT  
8 DEFINED.—In this subparagraph:

9 “(I) RESIDENT LEVEL.—The  
10 term ‘resident level’ means, with re-  
11 spect to a hospital, the total number  
12 of full-time equivalent residents, be-  
13 fore the application of weighting fac-  
14 tors (as determined under this para-  
15 graph), in the fields of allopathic and  
16 osteopathic medicine for the hospital.

17 “(II) OTHERWISE APPLICABLE  
18 RESIDENT LIMIT.—The term ‘other-  
19 wise applicable resident limit’ means,  
20 with respect to a hospital, the limit  
21 otherwise applicable under subpara-  
22 graphs (F)(i) and (H) on the resident  
23 level for the hospital determined with-  
24 out regard to this subparagraph.”.

1 (b) NO APPLICATION OF INCREASE TO IME.—Sec-  
2 tion 1886(d)(5)(B)(v) (42 U.S.C. 1395ww(d)(5)(B)(v)) is  
3 amended by adding at the end the following: “The provi-  
4 sions of clause (i) of subparagraph (I) of subsection (h)(4)  
5 shall apply with respect to the first sentence of this clause  
6 in the same manner as it applies with respect to subpara-  
7 graph (F) of such subsection, but the provisions of clause  
8 (ii) of such subparagraph shall not apply.”.

9 (c) REPORT ON EXTENSION OF APPLICATIONS  
10 UNDER REDISTRIBUTION PROGRAM.—Not later than July  
11 1, 2004, the Secretary shall submit to Congress a report  
12 containing recommendations regarding whether to extend  
13 the deadline for applications for an increase in resident  
14 limits under section 1886(h)(4)(I)(ii)(II) of the Social Se-  
15 curity Act (as added by subsection (a)).

## 16 **Subtitle C—Other Provisions**

### 17 **SEC. 621. MODIFICATIONS TO MEDICARE PAYMENT ADVI-** 18 **SORY COMMISSION (MEDPAC).**

19 (a) EXAMINATION OF BUDGET CONSEQUENCES.—  
20 Section 1805(b) (42 U.S.C. 1395b–6(b)) is amended by  
21 adding at the end the following new paragraph:

22 “(8) EXAMINATION OF BUDGET CON-  
23 SEQUENCES.—Before making any recommendations,  
24 the Commission shall examine the budget con-  
25 sequences of such recommendations, directly or

1 through consultation with appropriate expert enti-  
2 ties.”.

3 (b) CONSIDERATION OF EFFICIENT PROVISION OF  
4 SERVICES.—Section 1805(b)(2)(B)(i) (42 U.S.C. 1395b-  
5 6(b)(2)(B)(i)) is amended by inserting “the efficient provi-  
6 sion of” after “expenditures for”.

7 (c) ADDITIONAL REPORTS.—

8 (1) DATA NEEDS AND SOURCES.—The Medicare  
9 Payment Advisory Commission shall conduct a  
10 study, and submit a report to Congress by not later  
11 than June 1, 2003, on the need for current data,  
12 and sources of current data available, to determine  
13 the solvency and financial circumstances of hospitals  
14 and other medicare providers of services.

15 (2) USE OF TAX-RELATED RETURNS.—Using  
16 return information provided under Form 990 of the  
17 Internal Revenue Service, the Commission shall sub-  
18 mit to Congress, by not later than June 1, 2003, a  
19 report on the following:

20 (A) Investments and capital financing of  
21 hospitals participating under the medicare pro-  
22 gram and related foundations.

23 (B) Access to capital financing for private  
24 and for not-for-profit hospitals.

1 **SEC. 622. DEMONSTRATION PROJECT FOR DISEASE MAN-**  
2 **AGEMENT FOR CERTAIN MEDICARE BENE-**  
3 **FICIARIES WITH DIABETES.**

4 (a) IN GENERAL.—The Secretary of Health and  
5 Human Services shall conduct a demonstration project  
6 under this section (in this section referred to as the  
7 “project”) to demonstrate the impact on costs and health  
8 outcomes of applying disease management to certain medi-  
9 care beneficiaries with diagnosed diabetes. In no case may  
10 the number of participants in the project exceed 30,000  
11 at any time.

12 (b) VOLUNTARY PARTICIPATION.—

13 (1) ELIGIBILITY.—Medicare beneficiaries are  
14 eligible to participate in the project only if—

15 (A) they are Hispanic, as determined by  
16 the Secretary;

17 (B) they meet specific medical criteria  
18 demonstrating the appropriate diagnosis and  
19 the advanced nature of their disease;

20 (C) their physicians approve of participa-  
21 tion in the project; and

22 (D) they are not enrolled in a  
23 Medicare+Choice plan.

24 (2) BENEFITS.—A medicare beneficiary who is  
25 enrolled in the project shall be eligible—

1 (A) for disease management services re-  
2 lated to their diabetes; and

3 (B) for payment for all costs for prescrip-  
4 tion drugs without regard to whether or not  
5 they relate to the diabetes, except that the  
6 project may provide for modest cost-sharing  
7 with respect to prescription drug coverage.

8 (c) CONTRACTS WITH DISEASE MANAGEMENT ORGA-  
9 NIZATIONS.—

10 (1) IN GENERAL.—The Secretary of Health and  
11 Human Services shall carry out the project through  
12 contracts with up to three disease management orga-  
13 nizations. The Secretary shall not enter into such a  
14 contract with an organization unless the organiza-  
15 tion demonstrates that it can produce improved  
16 health outcomes and reduce aggregate medicare ex-  
17 penditures consistent with paragraph (2).

18 (2) CONTRACT PROVISIONS.—Under such  
19 contracts—

20 (A) such an organization shall be required  
21 to provide for prescription drug coverage de-  
22 scribed in subsection (b)(2)(B);

23 (B) such an organization shall be paid a  
24 fee negotiated and established by the Secretary  
25 in a manner so that (taking into account sav-

1           ings in expenditures under parts A and B of  
2           the medicare program under title XVIII of the  
3           Social Security Act) there will be no net in-  
4           crease, and to the extent practicable, there will  
5           be a net reduction in expenditures under the  
6           medicare program as a result of the project;  
7           and

8                   (C) such an organization shall guarantee,  
9                   through an appropriate arrangement with a re-  
10                  insurance company or otherwise, the prohibition  
11                  on net increases in expenditures described in  
12                  subparagraph (B).

13           (3) PAYMENTS.—Payments to such organiza-  
14           tions shall be made in appropriate proportion from  
15           the Trust Funds established under title XVIII of the  
16           Social Security Act.

17           (4) WORKING GROUP.—The Secretary shall es-  
18           tablish within the Department of Health and  
19           Human Services a working group consisting of em-  
20           ployees of the Department to carry out the fol-  
21           lowing:

22                   (A) To oversee the project.

23                   (B) To establish policy and criteria for  
24           medicare disease management programs within

1 the Department, including the establishment of  
2 policy and criteria for such programs.

3 (C) To identify targeted medical conditions  
4 and targeted individuals.

5 (D) To select areas in which such pro-  
6 grams are carried out.

7 (E) To monitor health outcomes under  
8 such programs.

9 (F) To measure the effectiveness of such  
10 programs in meeting any budget neutrality re-  
11 quirements.

12 (G) Otherwise to serve as a central focal  
13 point within the Department for dissemination  
14 of information on medicare disease management  
15 programs.

16 (d) APPLICATION OF MEDIGAP PROTECTIONS TO  
17 DEMONSTRATION PROJECT ENROLLEES.—(1) Subject to  
18 paragraph (2), the provisions of section 1882(s)(3) (other  
19 than clauses (i) through (iv) of subparagraph (B)) and  
20 1882(s)(4) of the Social Security Act shall apply to enroll-  
21 ment (and termination of enrollment) in the demonstra-  
22 tion project under this section, in the same manner as they  
23 apply to enrollment (and termination of enrollment) with  
24 a Medicare+Choice organization in a Medicare+Choice  
25 plan.

1 (2) In applying paragraph (1)—

2 (A) any reference in clause (v) or (vi) of section  
3 1882(s)(3)(B) of such Act to 12 months is deemed  
4 a reference to the period of the demonstration  
5 project; and

6 (B) the notification required under section  
7 1882(s)(3)(D) of such Act shall be provided in a  
8 manner specified by the Secretary of Health and  
9 Human Services.

10 (e) DURATION.—The project shall last for not longer  
11 than 3 years.

12 (f) WAIVER.—The Secretary of Health and Human  
13 Services shall waive such provisions of title XVIII of the  
14 Social Security Act as may be necessary to provide for  
15 payment for services under the project in accordance with  
16 subsection (c)(3).

17 (g) REPORT.—The Secretary of Health and Human  
18 Services shall submit to Congress an interim report on the  
19 project not later than 2 years after the date it is first im-  
20 plemented and a final report on the project not later than  
21 6 months after the date of its completion. Such reports  
22 shall include information on the impact of the project on  
23 costs and health outcomes and recommendations on the  
24 cost-effectiveness of extending or expanding the project.

1 (h) GAO STUDY ON DISEASE MANAGEMENT PRO-  
2 GRAMS.—The Comptroller General of the United States  
3 shall conduct a study that compares disease management  
4 programs under title XVIII of the Social Security Act with  
5 such programs conducted in the private sector, including  
6 the prevalence of such programs and programs for case  
7 management. The study shall identify the cost-effective-  
8 ness of such programs and any savings achieved by such  
9 programs. The Comptroller General shall submit a report  
10 on such study to Congress by not later than 18 months  
11 after the date of the enactment of this Act.

12 **SEC. 623. DEMONSTRATION PROJECT FOR MEDICAL ADULT**  
13 **DAY CARE SERVICES.**

14 (a) ESTABLISHMENT.—Subject to the succeeding  
15 provisions of this section, the Secretary of Health and  
16 Human Services shall establish a demonstration project  
17 (in this section referred to as the “demonstration project”)  
18 under which the Secretary shall, as part of a plan of an  
19 episode of care for home health services established for  
20 a medicare beneficiary, permit a home health agency, di-  
21 rectly or under arrangements with a medical adult day  
22 care facility, to provide medical adult day care services as  
23 a substitute for a portion of home health services that  
24 would otherwise be provided in the beneficiary’s home.

25 (b) PAYMENT.—

1           (1) IN GENERAL.—The amount of payment for  
2           an episode of care for home health services, a por-  
3           tion of which consists of substitute medical adult  
4           day care services, under the demonstration project  
5           shall be made at a rate equal to 95 percent of the  
6           amount that would otherwise apply for such home  
7           health services under section 1895 of the Social Se-  
8           curity Act (42 U.S.C. 1395fff). In no case may a  
9           home health agency, or a medical adult day care fa-  
10          cility under arrangements with a home health agen-  
11          cy, separately charge a beneficiary for medical adult  
12          day care services furnished under the plan of care.

13           (2) BUDGET NEUTRALITY FOR DEMONSTRA-  
14          TION PROJECT.—Notwithstanding any other provi-  
15          sion of law, the Secretary shall provide for an appro-  
16          priate reduction in the aggregate amount of addi-  
17          tional payments made under section 1895 of the So-  
18          cial Security Act (42 U.S.C. 1395fff) to reflect any  
19          increase in amounts expended from the Trust Funds  
20          as a result of the demonstration project conducted  
21          under this section.

22           (c) DEMONSTRATION PROJECT SITES.—The project  
23          established under this section shall be conducted in not  
24          more than 5 sites in States selected by the Secretary that

1 license or certify providers of services that furnish medical  
2 adult day care services.

3 (d) DURATION.—The Secretary shall conduct the  
4 demonstration project for a period of 3 years.

5 (e) VOLUNTARY PARTICIPATION.—Participation of  
6 medicare beneficiaries in the demonstration project shall  
7 be voluntary. The total number of such beneficiaries that  
8 may participate in the project at any given time may not  
9 exceed 15,000.

10 (f) PREFERENCE IN SELECTING AGENCIES.—In se-  
11 lecting home health agencies to participate under the dem-  
12 onstration project, the Secretary shall give preference to  
13 those agencies that—

14 (1) are currently licensed or certified to furnish  
15 medical adult day care services; and

16 (2) have furnished medical adult day care serv-  
17 ices to medicare beneficiaries for a continuous 2-year  
18 period before the beginning of the demonstration  
19 project.

20 (g) WAIVER AUTHORITY.—The Secretary may waive  
21 such requirements of title XVIII of the Social Security Act  
22 as may be necessary for the purposes of carrying out the  
23 demonstration project, other than waiving the requirement  
24 that an individual be homebound in order to be eligible  
25 for benefits for home health services.

1           (h) EVALUATION AND REPORT.—The Secretary shall  
2 conduct an evaluation of the clinical and cost effectiveness  
3 of the demonstration project. Not later than 30 months  
4 after the commencement of the project, the Secretary shall  
5 submit to Congress a report on the evaluation, and shall  
6 include in the report the following:

7           (1) An analysis of the patient outcomes and  
8 costs of furnishing care to the medicare beneficiaries  
9 participating in the project as compared to such out-  
10 comes and costs to beneficiaries receiving only home  
11 health services for the same health conditions.

12           (2) Such recommendations regarding the exten-  
13 sion, expansion, or termination of the project as the  
14 Secretary determines appropriate.

15           (i) DEFINITIONS.—In this section:

16           (1) HOME HEALTH AGENCY.—The term “home  
17 health agency” has the meaning given such term in  
18 section 1861(o) of the Social Security Act (42  
19 U.S.C. 1395x(o)).

20           (2) MEDICAL ADULT DAY CARE FACILITY.—The  
21 term “medical adult day care facility” means a facil-  
22 ity that—

23                   (A) has been licensed or certified by a  
24 State to furnish medical adult day care services  
25 in the State for a continuous 2-year period;

1           (B) is engaged in providing skilled nursing  
2 services and other therapeutic services directly  
3 or under arrangement with a home health agen-  
4 cy;

5           (C) meets such standards established by  
6 the Secretary to assure quality of care and such  
7 other requirements as the Secretary finds nec-  
8 essary in the interest of the health and safety  
9 of individuals who are furnished services in the  
10 facility; and

11           (D) provides medical adult day care serv-  
12 ices.

13           (3) MEDICAL ADULT DAY CARE SERVICES.—

14           The term “medical adult day care services” means—

15           (A) home health service items and services  
16 described in paragraphs (1) through (7) of sec-  
17 tion 1861(m) furnished in a medical adult day  
18 care facility;

19           (B) a program of supervised activities fur-  
20 nished in a group setting in the facility that—

21           (i) meet such criteria as the Secretary  
22 determines appropriate; and

23           (ii) is designed to promote physical  
24 and mental health of the individuals; and

1                   (C) such other services as the Secretary  
2                   may specify.

3                   (4)    MEDICARE    BENEFICIARY.—The    term  
4                   “medicare beneficiary” means an individual entitled  
5                   to benefits under part A of this title, enrolled under  
6                   part B of this title, or both.

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